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January 5, 1985

MEMORANDUM FOR MR. CHARLES HILL
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National Air & Space Agency

SUBJECT: NSSD on U.S. Policy Towards Canada (S)

The President has approved the attached National Security Study Directive
on U.S. Policy Towards Canada. (S)Robert M. Kimmitt
Robert M. Kimmitt
Executive SecretaryAttachment
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WASHINGTON

National Security
Study Directive 1-85

January 5, 1985

CANADIAN-AMERICAN RELATIONSIntroduction

This National Security Study Directive establishes the Terms of Reference for completing a review of the overall relationship between the United States and Canada. Primary attention should be directed toward the production of recommendations for the accomplishment of short-term measures prior to the President's official working visit to Canada, March 17-18, 1985. Recommendations regarding a long-range strategy for dealing with Canada will be prepared, based on the results of the President's trip and the analysis of the work of the interagency group. (S)

Objective of the Review

To conduct a thorough review of U.S.-Canadian relations in preparation for the President's trip to Canada; to produce a National Security Decision Directive (NSDD) -- Subject: U.S. Policy Toward Canada. (S)

Scope

The short and long-term reviews will result in reports to the National Security Council that will address the following topics:

- Political: Prime Minister Mulroney has clearly indicated his wish to improve ties with the U.S. How far can we reasonably expect him to move in our direction given traditional Canadian concern over too close links to the U.S.? Have we discerned any Canadian actions to date that were undertaken specifically to meet U.S. requests or with an eye to meeting American concerns? How vocal should we be in responding positively to Mulroney? How do we best manage the stepped-up flow of meetings between U.S. and Canadian officials? Are any new mechanisms required? How actively should the Executive Branch promote closer ties between the Canadian Parliament and the Congress? (Action: State) (C)
- Foreign Policy: The new Government is conducting a comprehensive review of its foreign policy. In light of Prime Minister Mulroney's expressed willingness to work more closely with the U.S. on East-West issues and Third-World problems, should we seek a more activist Canadian role in the global arena? Do we wish to use the President's visit

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to push for Canadian participation in a Contadora verification process; for a greater Canadian role in all of Latin America through membership in the OAS; for Canadian assistance in the Middle East? The President has expressed interest in discussing the Pacific Basin Initiative (PBI) at the March meetings. How can we best integrate Canada into our planning for further implementation of the PBI? For more cohesive relations with the nations of the Pacific Basin? (Action: State) (C)

- Security: Mulroney has indicated his intention to enhance Canada's military establishment. Given his budgetary problems, how hard should we press to see that he delivers on his commitment? The Government has just launched a major defense policy review. Should we try to influence it -- for example, as it attempts to redefine Canada's role in NATO? Is there a security role we want Canada to fill in the Pacific? Should an agreement on North American Air Defense Modernization be signed during the President's visit? What changes do we want in the NORAD Treaty, which is up for renewal in early 1986? How does the creation of the U.S. Space Command impact on our cooperative defense arrangements with Canada? How do the Administration's plans on SDI affect Canada, and what role in space technology do we envisage for it? And are there additional possibilities for cooperation in improving the North American defense mobilization base? (Action: State/DOD) (S)
- Technology Transfer: Are we working effectively with Canada to stem the loss of sensitive technology to unfriendly countries? (Action: NSC) (C)
- Trade: The Canadians are engaged in a national debate on their economic relationship with the U.S. The new Mulroney Government appears to be moving toward a proposal for a more liberal trading arrangement with us. What should be our response? To what extent should we try to influence the direction of the debate in Canada? What problems would we encounter in getting Congressional approval for a freer trading regime with Canada? Would a special bilateral arrangement with Canada be compatible with our obligations under the GATT? How would U.S.-GOC negotiations fit in with our interest in a new round of multilateral trade negotiations? (Action: USTR) (C)
- Economic Policy and Investment: Canada is liberalizing its policies on foreign direct and indirect investment. Will it go far enough to meet our interests? If not, how can we best influence the direction and content in order to further U.S. interests? How legitimate are Canadian concerns about excessive U.S. control of its economy? How seriously is Canada affected by U.S. interest rates and deficits? Do anticipated changes in Canadian energy policy go far enough to meet U.S. interests? (Action: Treasury/DOE) (C)

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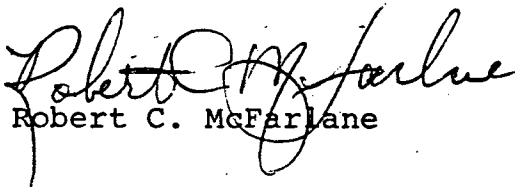
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- Environment: Acid rain is the number one item on Canada's bilateral agenda with us. Domestic U.S. realities make substantial progress in this area unlikely. Are there measures we could adopt that would indicate our responsiveness to Canadian concerns? Is there any possibility of forward movement on other environmental issues? (Action: State/EPA) (C)
- Science: Canada has shown an interest in participating in NASA's space station project. Would the Presidential visit represent an occasion to make a public announcement on this subject? (Action: State/NASA) (C)
- Fisheries: Now that the negotiations on the West Coast appear to be nearing completion, how do we best manage the ratification process? Given Canadian refusal to agree to a moratorium, what measures can be taken to ameliorate the impact of the Gulf of Maine dispute? (Action: State) (C)
- Legal: Now that the Gulf of Maine boundary dispute is settled, what should be our approach to the other outstanding boundary problems? Given differing legal systems, how can we best manage extraterritoriality problems? Could the on-going Mutual Legal Assistance Treaty be completed in time for a signing ceremony during the President's visit? (Action: State) (C)

A paper recommending short-term measures that should be accomplished prior to the President's official working visit to Canada should be prepared, under State's direction, for SIG Foreign Policy review no later than January 29, 1985. The economic aspects of U.S.-Canadian relations should be reviewed, under Treasury's direction, by the SIG-IEP. Following the President's trip, a paper addressing a long-term strategy for dealing with Canada should be prepared, again under State's direction, no later than April 25, 1985, for SIG Foreign Policy review. The SIG-IEP would be responsible for coordinating the long-term strategy for U.S.-Canadian economic relations. (S)

FOR THE PRESIDENT:


Robert C. McFarlane

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